



HEARING BEFORE

**THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY**

UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 12, 2012

STATEMENT

OF

THERESA GRUBER

**ASSISTANT DEPUTY COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee:

Thank you for inviting me to discuss Social Security's efforts to support the Department of the Treasury's electronic payment regulation. My name is Theresa Gruber, and I am the Assistant Deputy Commissioner for Operations at the Social Security Administration.

Our employees in local Social Security offices nationwide have the critical responsibility of determining benefit eligibility and the amount of those benefits. We pass that payment information to Treasury; Treasury is responsible for delivering the payment.

Our employees routinely interact with beneficiaries, taking applications for benefits and collecting bank information that allows Treasury to deposit checks electronically. They also explain the rules about how Treasury can deliver payments.

Treasury has allowed electronic payment of Social Security and Supplemental Security Income (SSI) benefits through direct deposit since 1975. Over time and through regulation, Treasury has encouraged more and more beneficiaries for all Federal programs to elect to receive their checks electronically, gradually narrowing, but not eliminating, exceptions.

Benefits of Electronic Payment

We agree that electronic payments are beneficial for the public and more efficient for the agency. They are significantly cheaper and less likely to be lost or stolen compared to paper checks. They also allow us, and the beneficiary, to track payments more easily. We know when beneficiaries receive an electronic payment; therefore, it reduces the replacement payments we must make if a beneficiary reports that he or she did not receive a check.

Severe weather events have demonstrated one of the major advantages of electronic payments: we can get payments to beneficiaries despite the challenges that natural disasters bring. In fact, after Hurricane Katrina, the number of beneficiaries along the Gulf Coast who signed up for direct deposit increased significantly. Last month, in preparation for Hurricane Isaac, we worked with the Postal Service and Treasury to arrange for special action of early shipment of about 150,000 paper checks to regional postal distribution centers to try to get those checks in the area for on-time delivery. By contrast however, we did not have to take any special action for the beneficiaries who receive electronic payments.

Outreach Efforts to Encourage Electronic Payment

To further expand the use of electronic payment options, Treasury is implementing a Regulation that would almost require all recipients of Federal benefit payments to use an electronic payment method by March 1, 2013.

Treasury created and implemented an outreach campaign to educate members of the public still receiving paper checks about the requirement to switch to electronic payments by March 1, 2013. When Treasury sends a paper check to people receiving Social Security or SSI benefits, it includes an enclosure to remind them of the mandatory deadline to switch to electronic payments

and step-by-step instructions about how to do so. Treasury works with us on the messaging and content of these enclosures.

Treasury also sends notices to individuals who have not converted to electronic payments and have not received a waiver from Treasury four months after and again seven months after they begin receiving checks.

We are also working to make sure our beneficiaries understand the requirement for direct deposit. For example, we include direct deposit information in our cost-of-living adjustment notice; we display information on Social Security TV monitors in our field offices; we created a “No Check, Go Direct” public service announcement starring our spokespersons, Patty Duke and George Takei; and our Internet site contains a wealth of information about Treasury’s direct deposit program.

As I mentioned, much of our employees’ day-to-day work involves public interaction. Treasury has the lead for developing and implementing the regulation mandating electronic payments, but our employees often explain it to beneficiaries. We ask all new beneficiaries to provide us with the information necessary to sign up for electronic payment. If they decline the electronic payment option because they do not have a bank account, we tell them about the option of Treasury’s Direct Express card. Our employees emphasize that electronic payments are a Treasury requirement and that all beneficiaries must switch to direct deposit by March 1, 2013. We provided all of our employees with mandatory training to reinforce this message.

For a variety of reasons, some individuals are averse to signing up for an electronic payment. If new beneficiaries request a waiver, we inform them that they must contact Treasury, and we provide them with information on how to do so.

Success of our Efforts

We believe that the overall rate of participation is the best indicator of our success at electronic payment enrollments because that measure captures not only initial claims enrollment, but also enrollments from individuals who convert from paper checks to direct deposit payments sometime after receiving their initial check. Currently, over 94 percent of Social Security beneficiaries and nearly 83 percent of SSI beneficiaries receive their payment electronically. Over the past 18 months, these numbers have increased by nearly 6 percent for Social Security beneficiaries, and 13 percent for SSI beneficiaries. Treasury agrees that it will not get to 100 percent participation by March 1, 2013. In fact, the regulation allows exceptions for anyone who was 90 years of age or older on May 1, 2011 and receiving payment by check on March 1, 2013.

Conclusion

We will continue our efforts to inform our beneficiaries of the requirement to receive electronic benefit payments, and we will continue to assist Treasury with the implementation of this requirement.